

United States—is a bad idea. It marks a major step away from tax fairness, and greatly undermines our ability to address pressing federal needs. The clumsiness comes in the Republicans' attempt to hide the true costs of estate tax repeal, as well as their efforts to limit these costs through a complicated capital gains tax scheme.

As a result, not only do those who believe in tax fairness and fiscal responsibility have good reason to strongly oppose this bill, but even those who believe in estate tax repeal have grounds to reject this plan. We can make the estate tax more fair by immediately raising the exclusion limits on estates. But to repeal the tax altogether would be tremendously unfair to the 99% of Americans who will shoulder the costs.

#### A BETTER WAY TO REFORM THE ESTATE TAX

As a small business advocate, I have long supported proposals to raise the exclusion limits on estates subject to taxation. A very small number of family businesses and farms (just 4% of estate tax revenues come from small businesses, and just 1/4 of 1% come from family farms) currently face onerous tax burdens as a result of the estate tax. While their numbers are small, these "middle class" family businesses and farms deserve relief from the estate tax.

And in fact, we have already made considerable progress in this effort: under current law, only the wealthiest 1% of estates will face any tax whatsoever by 2005. Under the Democratic alternative to today's bill, just 0.5% of all decedents would be subject to the tax. This 0.5% of estates would be composed exclusively of the very, very wealthy.

#### ESTATE TAX REPEAL IS UNFAIR

When fully implemented, the Republican plan to repeal the estate tax would provide \$662 billion of tax relief to the wealthiest 1% of Americans. By any measure, that's a lot of money. But to put it in some perspective, consider how this tax cut compares to some of the Administration's spending priorities. The President has made education funding his top budget priority, yet provides only \$41 billion in new funding over the next decade for education programs—and even that amount is inflated (unspecified targeted cuts in some education programs will reduce this gross figure). At the same time, the President has called for a new prescription drug benefit for seniors, but has allocated just \$110 billion over ten years for it, far below any reasonable estimate of the program's true cost. In both cases, the President has devoted far more lip service than dollars to pressing national needs. Importantly, both priorities could be fully funded with the revenues lost to estate tax repeal.

It is rarely popular to promote the virtues of any tax. Nonetheless, that is just what some of the nation's wealthiest individuals effectively did recently in publicly opposing estate tax repeal. The likes of Bill Gates, Warren Buffett, and George Soros worry about the effects of repeal, arguing that the repeal will discourage and virtually eliminate substantial amounts of charitable giving, an will exacerbate the concentration of our nation's wealth in the hands of just a few families.

Concern about the concentration of wealth is particularly appropriate in recent years. Over the past decade, after-tax income for the

wealthiest 1% of Americans grew by a stunning 40%, while after-tax income gains for the bottom 90% averaged just 5%. In the face of this growing income disparity, we are about to further advantage the wealthiest 1% with a \$660 billion estate tax bonus. Today's bill is by far the most unfair and regressive element of the aggregate Republican tax package. But it is important to note that 40% of American families—those earning less than \$27,000—will receive virtually no benefit at all from any of the Republican tax cuts, whether rate reductions, so-called marriage penalty relief, or expansion of the child tax credit.

These families are excluded from the Republican plan, not because they don't pay any taxes; in fact, all of them pay substantial federal taxes through the payroll tax, and for many, these taxes are onerous. These tax-paying families are excluded from the Republican's tax relief simply because the Republicans chose to award the lion's share of tax relief to the very wealthy. Yet, the 40% of families excluded from the Republican plan are the same taxpayers whose incomes have barely registered a gain in the midst of a decade-long economic expansion. Again, they—40% of all American families, those at the bottom—get nothing.

#### A CLUMSY ATTEMPT TO LIMIT REVENUE LOSSES

The Republicans faced a funding dilemma in crafting this legislation—they have already promised too much tax relief to wealthy Americans in other tax bills and have run out of room in their own budget to pay for estate tax repeal. As a result, they have resorted to a scheme that hides the true costs of repeal, while also attempting to recover some of the revenue losses through new capital gains taxes.

The drafters of this bill have back loaded its costs so that the true cost of repeal falls outside the 10-year budgetary window. They accomplish this by phasing in repeal at a snail's pace through 2011, and then quickly implementing complete repeal in the following year. As a result, the cost of this bill through 2011 is \$193 billion; yet, if it were implemented immediately, the cost would skyrocket to \$662 billion. Due to backloading, the same family businesses and farms that would benefit almost immediately from the Democratic plan to raise estate exclusion limits would continue to pay substantial estate taxes for the next ten years under the Republican plan.

But even cost backloading was not enough to limit the 10-year revenue losses from the Republican bill. In order to find more cost savings, the bill's drafters decided to shift the capital gains treatment of taxable estates from a "stepped up" basis to a "carryover" basis. Under current law, heirs are subject to capital gains taxes on estate assets sold based on the value of these assets when they were transferred from the decedent ("stepped up" basis). Under this bill, heirs would be subject to capital gains taxes based on the value of these assets when they were purchased by the decedent ("carryover" basis). The fatal flaw of this change lies in its complexity. In 1976, Congress passed legislation shifting from a stepped up basis to a carryover basis on estate assets, but the plan was abandoned before it could take effect. Congress repealed the 1976 tax change in 1980 after realizing

that the change was unworkable and would impose an unacceptably large administrative burden on estate planners, heirs, and the Treasury Department.

There is a way out of this mess for the Republicans. They should adopt the Democratic alternative, which immediately raises the exclusion for estates to \$2 million (\$4 million per couple). By 2010, these exclusions would rise to \$2.5 million (\$5 million per couple). Such changes would appropriately target the estate tax to very wealthy estates and would do so almost immediately, not ten years from now. Raising exclusion limits would retain the core progressivity of our tax code while limiting revenue losses.

#### SALUTING MT. WHITNEY HIGH SCHOOL STUDENTS

#### HON. WILLIAM M. THOMAS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, April 24, 2001

Mr. THOMAS. Mr. Speaker, I am pleased to have this opportunity to honor three students, Zach Vanderham, Jessica Parks, and Darren Mann, who are seniors at Mt. Whitney High School in Visalia, California in my district. These three young people have developed an anti-smoking program aimed at their peers that I hope will serve as a model for other schools throughout the country. They have created a CD ROM titled "Teens Kick Ash" that explains the dangers of smoking in a manner to which other young people can relate and understand.

As part of a competition organized by a national student marketing organization, Zach, Jessica, and Darren developed this CD in order to dissuade their fellow students from taking up this destructive, dangerous habit. Their project has proven so effective that the CD's have been distributed to dozens of other schools in the Visalia Unified School District, which have incorporated the project into their curriculum. Mr. Speaker, all Americans now know the dangers that smoking presents, and realize that we must do more to prevent our young people from starting this destructive habit. I am very pleased that these three students from Tulare County, California have had the good sense and initiative to educate their peers on smoking's dangers and to do their part to keep the next generation of Tulare County citizens from starting to smoke.

I have an article from the Visalia Times Delta newspaper that I ask unanimous consent be included in the RECORD in its entirety.

#### STUDENTS DESCRIBE SMOKING DANGERS

LA JOYA SHOWS PROJECT CREATED BY THREE

MT. WHITNEY DECA STUDENTS

(By Melinda Morales)

Twenty three seventh-grade students sat in the dark in Dave Rodgers' health class at La Joya Middle School Tuesday, waiting not for the lights to come on but for the show to begin.

They would be the first group of students to view a CD-ROM production called "Anti Tobacco Education 2000, Teens Kick Ash," created by three Mt. Whitney High School students.

The students, members of DECA—an association of marketing students—had taken on

the job of creating the CD-ROM as part of a marketing project for the annual DECA competition in Jan Jose next month. They wanted to see how other students would react to what they saw.

"We felt smoking was a big problem in our community and we wanted to produce a CD about it," said Zach Vanderham, a senior and DECA member. "They seemed to really enjoy it."

What captivated the students were the video vignettes, produced by drama students at Mt. Whitney, interspersed throughout the disc. One that got a reaction from the class showed students coughing and choking as they smoked for the first time and asked why anyone would want to continue smoking after that kind of reaction.

The CD-ROM presentation is the first of its kind, produced by students in the Visalia Unified School District. Rodgers, a health education specialist, said getting information to students in the middle schools is a priority for him.

"Any opportunity I get to have someone come in from the outside and talk to my students about drugs and the dangers they present, I jump on it," he said. When they get to high school, sometimes it's too late."

He said the combined video and audio presentation in CD form, organized format and worksheet for the lesson are easy to use.

"We try to incorporate technology as much as possible," Rodgers said. "And kids like visuals."

Beatrice Mejia, 12, said the facts and grim photos on the effects of chewing tobacco made an impression on her.

"I didn't know that the tobacco could do so much damage," she said.

The project was the brainchild of Mt. Whitney DECA adviser Stephen Rogers, who worked with the Tulare County Health and Human Services Agency to get the money for the project.

"We got a \$5,000 grant to buy the equipment for the project," Rogers said. He made arrangements with a production company in Los Angeles to show his students how to use the equipment and create their own story. Then he let them go.

"They really did it all themselves," he said. The grant enabled them to buy the equipment and produce 350 copies of the disc that will be used in schools throughout the district.

The grant came from the state's Tobacco Use Prevention Education fund which is to be used strictly for educating kids about the dangers of tobacco. Lucinda Mejdell-Awbrey, coordinator of student support services for health and human services, said the tobacco education money was used last year to put on health fairs in the middle schools in the district.

"The money comes from the tax on tobacco sales, and the amounts have been dropping each year because tobacco sales are going down," Mejdell-Awbrey said. Most of the money is used to purchase educational materials for health teachers of fourth-through eighth grades.

Jessica Parks, a junior, helped Vanderham lead the presentation to the class, guided the students through the worksheets and answered questions. Darren Mann, senior, operated the computer and navigated the course for Parks and Vanderham. He also did much of the hands-on computer work for the project.

The three students, who began working on the project in November, will now complete the written requirements for the presentation and submit it for the competition in March.

## EXTENSIONS OF REMARKS

CONGRATULATIONS TO ST. FRANCIS HOSPITAL ON 45 YEARS OF SERVING OUR COMMUNITY

**HON. GERALD D. KLECZKA**

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, April 24, 2001*

Mr. KLECZKA. Mr. Speaker, on Saturday, April 28, 2001 the Milwaukee community will gather to celebrate the 45th Anniversary of St. Francis Hospital.

The blessed Felician Sisters opened the doors to this beautiful new facility in 1956, and with the leadership of its first administrator, Sister Mary Liliose, started to minister quality and compassionate health care to those in need.

In the years that have followed, St. Francis Hospital has grown and matured, combining a patient-centered, healing ministry with the latest in advanced technology. Today, the facility offers an array of services, specializing in areas such as laser/laparoscopic surgery, orthopedics, sports medicine and women's health services. In addition, this 260 bed, general acute care hospital is internationally recognized for its outstanding cardiac care programs.

Now a St. Francis Hospital Center for Cancer Care is currently being constructed in Franklin, Wisconsin, to provide comprehensive services to cancer patients throughout southeastern Wisconsin. The facility has been designed with input from cancer survivors and will provide a healing environment to attend to the unique medical and spiritual needs of cancer patients and their families.

A large part of what makes St. Francis Hospital such a special place is its strong commitment to building a healthier community. From its free health care screenings for seniors to its Angel of Hope Clinic located in a homeless shelter on Milwaukee's south side, the staff of St. Francis consistently serves with great care and compassion.

On behalf of all the people whose lives have been touched by the Felician Sisters and the physicians, nurses and support staff at St. Francis Hospital, thank you for 45 years of outstanding care to the community, and God's blessings for many more years of exceptional service to the people of Wisconsin.

IN RECOGNITION OF JUAN NEKAI BABAUTA AND HIS WORK WITH THE CLOSE UP FOUNDATION

**HON. ROBERT A. UNDERWOOD**

OF GUAM

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, April 24, 2001*

Mr. UNDERWOOD. Mr. Speaker, I take this opportunity today to recognize my friend Juan Nekai Babauta, the Resident Representative to the United States from the Commonwealth of the Northern Mariana Islands (CNMI), for his efforts on behalf of the Close Up Foundation. I particularly commend Mr. Babauta for his continued commitment to the issue of civic education for young people and especially for his diligent work with the Close Up Founda-

tion, the nation's largest nonprofit, nonpartisan citizenship education organization.

Mr. Speaker, as many of my colleagues know, the CNMI became a territory of the United States and an American commonwealth in 1976. Since then the citizens of the CNMI, with whom my constituency, the people of Guam, share indigenous identity and Chamorro heritage, have elected a Resident Representative to serve them in the Nation's capital. To date the CNMI is the only American jurisdiction that has not been afforded representation in Congress, thus I often feel compelled to offer remarks here in the House for Guam's Pacific neighbors.

As you know, Mr. Speaker, many of the islands of Oceania face daunting challenges in the area of economic stability and growth. Their relatively limited size, small population and extended distance from major markets, makes building a strong and sustainable economy among the most difficult tasks facing contemporary government. With the competing needs of various sectors of society, the government is forced to make tough choices. Roads must be maintained and airports must be modernized, hospitals must be improved and schools must be expanded and repaired, health care must be available to all and social safety nets must be in place for the neediest citizens. Pressing demands on an island's resources must be balanced with an eye towards meeting the needs of the day, while not ignoring future needs. Public servants like Juan Nekai Babauta make invaluable contributions to the extremely difficult balancing act between available resources and societal needs.

All of the islands of the Pacific are also confronting numerous problems when it comes to their youth. In CNMI, as is also the case in Guam, the government must find ways to combat apathy and cynicism among their young people. There is a constant concern with ensuring that young people will enter adulthood committed to being active, contributing citizens of their communities. For public servants like Juan Nekai Babauta, there is a recognition that preparing the next generation of leaders is a priority for the future welfare of the islands. Throughout his years of service, Mr. Babauta has been a champion for education and a strong advocate for young people. As the Resident Representative for CNMI, he has aggressively and successfully lobbied this Congress to provide \$3 million in federal funds for an endowment at the Northern Marianas College. He also achieved success in his attempt to open admission to our U.S. service academies to CNMI students. These and other pursuits demonstrate Mr. Babauta's effectiveness and his work on behalf of his constituency.

Throughout his career, Mr. Babauta has recognized that preparing the next generation of leaders must include preparation through a focus on civic education. His commitment to this end is evidenced through his unwavering support of the Close Up Foundation's program in the Pacific Islands.

Mr. Speaker, as you and my other colleagues in the House know well, the Close Up Foundation operates one of the most successful and innovative civic education programs in the country. Most of us have had the privilege